

Message Text

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ACTION EA-09

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C O N F I D E N T I A L HONG KONG 8744

NOFORN

EO 11652: GDS
TAGS: ETEL, TECH, ETRD, CH, JA, US
SUBJECT: CHINA RESUMES SEARCH FOR COLOR TV MANUFACTURING TECHNOLOGY

1. FOLLOWING A THREE-YEAR HIATUS, THE CHINESE HAVE APPARENTLY RESUMED NEGOTIATIONS WITH A NUMBER OF FOREIGN SUPPLIERS TO PURCHASE A COMPLETE PLANT FOR MANUFACTURING COLOR TV PICTURE TUBES. ACCORDING TO AN AFP RELEASE, DATED TOKYO JULY 23, CHINA INTENDS TO IMPORT FROM JAPAN A COLOR TV SET MANUFACTURING PLANT WITH AN ANNUAL OUTPUT CAPACITY OF 120,000 TO 240,000 UNITS. THE ARTICLE INDICATES THAT BOTH HITACHI AND TOSHIBA OF JAPAN HAVE RECEIVED INQUIRIES FROM THE CHINESE, AND A DELEGATION OF CHINESE SPECIALISTS ARE EXPECTED TO COME TO TOKYO SHORTLY TO START NEGOTIATIONS. THE ITEM FURTHER NOTES, THAT WHILE CHINA HAS MADE SIMILAR INQUIRIES WITH OTHER FOREIGN TELEVISION MAKERS, INCLUDING RCA, INDUSTRIAL SPECIALISTS IN JAPAN ARE CONFIDENT THAT THE PLANT WILL BE ORDERED FROM JAPANESE MANUFACTURES.

2. THIS REPORT APPEARS REMARKABLY SIMILAR TO RELEASES FROM JAPAN IN 1973-74, WHEN THE CHINESE WERE NEGOTIATING WITH A NUMBER OF WESTERN AND JAPANESE ELECTRONIC FIRMS FOR COMPLETE PLANT TECHNOLOGY FOR MANUFACTURING COLOR TV PICTURE TUBES,
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INCLUDING THE KINESCOPES, GLASS, AND OTHER ANCILLARY COMPONENTS. RCA OF THE U.S. AS WELL AS PHILLIPS OF HOLLAND, WERE AMONG THE COMPETITORS FOR THE \$100 MILLION-PLUS COMPLEX. DURING THIS NEGOTIATING PERIOD, THERE WERE A NUMBER OF NEWS RELEASES FROM TOKYO INDICATING THAT JAPANESE MANUFACTURERS INCLUDING TOSHIBA, HITACHI, AND MITSUBISHI HAD BEEN AWARDED THE CONTRACT.

3. WHILE RCA HAD BEEN ONE OF THE PRIME CONTENDERS FOR THE MULTI-MILLION DOLLAR COLOR TV TECHNOLOGY CONTRACT IN 1973, NEGOTIATIONS BETWEEN THE U.S. FIRM AND THE CHINESE APPARENTLY CAME TO A STANDSTILL AS A RESULT OF CHINA'S DECLINING INTEREST. ACCORDING TO A LENGTHY NCNA BROADCAST, FEBRUARY 10, 1977, THE "GANG OF FOUR", AND CHIANG CHING IN PARTICULAR, HAD BEEN RESPONSIBLE FOR THE CHINESE SIDE BREAKING OFF FROM THE NEGOTIATIONS. THE NCNA REPORT STATES: "TO FURTHER IMPROVE OUR ABILITY TO MAKE COMPLETE SETS OF TV EQUIPMENT, WE HAD A PLAN TO INTRODUCE SOME ADVANCED FOREIGN TECHNOLOGY INTO OUR COUNTRY. AT FIRST SHE (CHIANG CHING) INDICATED CONSENT FOR THE INTRODUCTION OF FOREIGN TECHNOLOGY INTO OUR COUNTRY, BUT LATER SHE DENIED ANY KNOWLEDGE OF IT. WHAT IS MORE, SHE ATTACKED THE USE OF FOREIGN TECHNOLOGY AS SUBMITTING TO IMPERIALIST PRESSURE, WORSHIPING THINGS FOREIGN AND FAWNING ON FOREIGNERS." IN SPITE OF EARLIER SETBACKS, THE CHINESE APPARENTLY ARE AGAIN INTERESTED IN IMPORTING COLOR TV MANUFACTURING TECHNOLOGY.

4. RCA VICE PRESIDENT JOHN RICH HAS INFORMED THE CONSULATE THAT RCA IS STILL IN THE RACE FOR THIS SALE. RICH BELIEVES THE CHINESE REMAIN FAVORABLY DISPOSED TO THE AMERICAN OFFER, AND HE VIEWS THE AFP STORY AS PART OF A PUBLIC RELATIONS CAMPAIGN BY RCA'S JAPANESE COMPETITORS. (INFORMATION IN THIS PARAGRAPH IS COMMERCIALLY SENSITIVE. PLEASE DO NOT CONFIDENTIAL

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DISCUSS OUTSIDE GOVERNMENT CIRCLES.)
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